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Press release

Monetary policy assessment of 15 December 2011

Swiss National Bank reaffirms its commitment to the minimum exchange rate of CHF 1.20 per euro

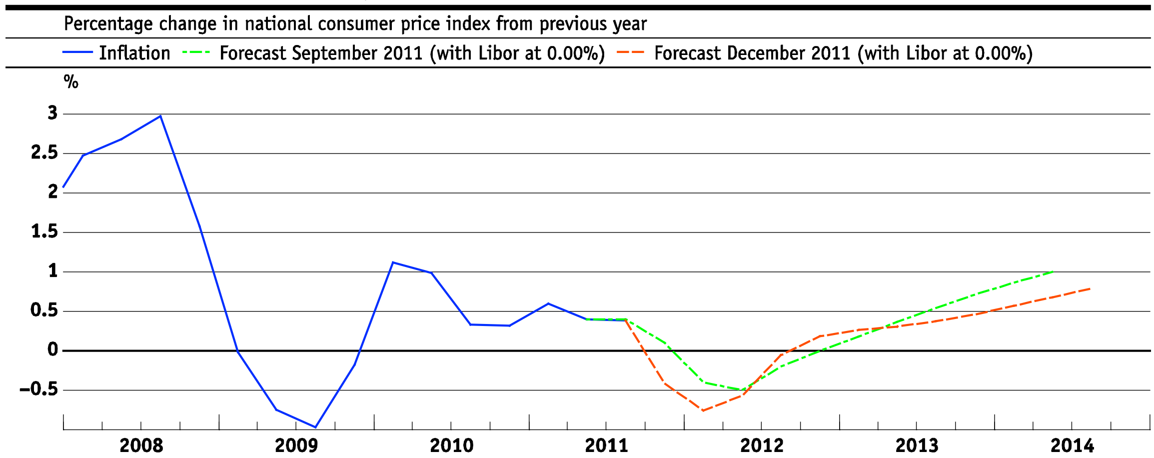
The Swiss National Bank (SNB) will continue to enforce the minimum exchange rate of CHF 1.20 per euro with the utmost determination. It is prepared to buy foreign currency in unlimited quantities. The target range for the Libor remains at 0.0–0.25%, and the SNB continues to aim for a three-month Libor close to zero. Even at the current rate, the Swiss franc is still high and should continue to weaken over time. The SNB stands ready to take further measures at any time if the economic outlook and the risk of deflation so require.

In the third quarter, the global economy picked up again slightly, thanks to positive stimuli from Japan, the US and China. Growth in Europe, however, remained weak and the economic outlook for the euro area deteriorated. In Switzerland, the pace of growth slowed considerably in the third quarter. The substantial appreciation of the Swiss franc over the summer is weighing heavily on the Swiss economy. For 2011 as a whole, real GDP growth of 1.5–2.0% can be expected. This is only because of the favourable economic development in the first half of the year. For 2012, the SNB is expecting economic growth in the order of 0.5%.

The international outlook continues to be highly uncertain. A further escalation of the European sovereign debt crisis cannot be ruled out. This would have grave consequences for the international financial system. Moreover, given our country's close relations with the euro area, Switzerland's economic prospects are highly dependent on how the crisis develops.

Compared to the previous quarter, the SNB's conditional inflation forecast has once again been adjusted downwards. In the short term, inflation will dip into negative territory sooner, owing to the effects of the earlier currency appreciation, which have been stronger than expected. In the longer term, the worsening of the growth outlook for the euro area is dampening inflation. The forecast for 2011 shows an inflation rate of 0.2%. For 2012, the SNB is expecting inflation of –0.3% and for 2013, of 0.4%. These forecasts are based on the assumption of a three-month Libor of 0% and a depreciating Swiss franc. In the foreseeable future, there is no risk of inflation in Switzerland. If foreign demand were to fall off more sharply than expected, downside risks to price stability would emerge.

Conditional inflation forecast of September 2011 and of December 2011



Observed inflation in December 2011

	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2008	2009	2010
Inflation	2.5	2.7	3.0	1.6	0.0	–0.7	–1.0	–0.2	1.1	1.0	0.3	0.3	0.6	0.4	0.4		2.4	–0.5	0.7

Conditional inflation forecast of September 2011 with Libor at 0.00% and of December 2011 with Libor at 0.00%

	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2011	2012	2013
Forecast September 2011, Libor at 0.00%			0.4	0.1	–0.4	–0.5	–0.2	0.0	0.2	0.4	0.5	0.7	0.9	1.0			0.4	–0.3	0.5
Forecast December 2011, Libor at 0.00%				–0.4	–0.8	–0.6	–0.1	0.2	0.3	0.3	0.4	0.5	0.6	0.7	0.8		0.2	–0.3	0.4

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